

SENATE RECORD VOTE ANALYSIS

106th Congress
1st Session

Vote No. 226

July 28, 1999, 6:26 p.m.
Page S-9496 Temp. Record

TAXPAYER REFUND ACT/Moynihan Substitute (Higher Taxes)

SUBJECT: Taxpayer Refund Act of 1999 . . . S. 1429. Moynihan substitute amendment No. 1384.

ACTION: AMENDMENT REJECTED, 39-60

SYNOPSIS: As reported, S. 1429, the Taxpayer Refund Act of 1999, will give back to the American people \$792 billion of the \$3.3 trillion in surplus taxes that the Congressional Budget Office (CBO) has projected that the Federal Government will collect over the next 10 years. The projection is based on assumptions of 2.4-percent average annual growth in the economy, no growth in discretionary spending after 2002, and entitlement spending growth as required under current law. Approximately \$1.9 trillion of the surpluses will be Social Security surpluses (Republicans have been attempting to defeat a Democratic filibuster of a proposal to protect those surpluses from being spent; see vote Nos. 90, 96, 166, 170, 193, and 211). After protecting the Social Security surpluses and providing tax relief of \$792 billion, \$505 billion will remain for additional spending or debt reduction. The average growth rate over the past 50 years has been 3.4 percent. The current growth rate is around 4 percent. If the 3.4-percent average rate is maintained for the next 10 years, then (using the CBO rule-of-thumb chart from Appendix C of the January 1999 Economic and Budget Outlook) the surplus will be roughly \$4.9 trillion, not \$3.3 trillion. Key tax relief provisions include that the bottom tax rate will be lowered to 14 percent and expanded (providing \$297.5 billion in tax relief over 10 years) and the tax burden on families will be cut (providing \$221.7 billion in tax relief). Tax relief will also be given to encourage saving for retirement, to make education and health care more affordable, to lower death taxes, and to lower taxes on small businesses.

The Moynihan substitute amendment would sharply reduce most of the proposed tax relief in the underlying bill. It would totally eliminate the proposed reduction of the lowest tax bracket to 14 percent and the expansion of that bracket to include more taxpayers. After denying that \$297.5 billion in tax relief it would sharply reduce the proposed tax relief for families, particularly by providing much more limited relief from the marriage penalty. Many of the smaller tax relief provisions from the underlying bill would be retained. In total, the bill would provide only \$290 billion in tax relief over 10 years. After 10 years, all of that tax relief would be rescinded, and Americans would be again taxed at the present rates. The amendment's supporters stated that it would be

(See other side)

YEAS (39)		NAYS (60)			NOT VOTING (1)	
Republicans (0 or 0%)	Democrats (39 or 87%)	Republicans (54 or 100%)	Democrats (6 or 13%)		Republicans (1)	Democrats (0)
Akaka	Kennedy	Abraham	Helms	Bayh	Voinovich- ²	
Baucus	Kerrey	Allard	Hutchinson	Byrd		
Biden	Kerry	Ashcroft	Hutchison	Edwards	EXPLANATION OF ABSENCE: 1—Official Business 2—Necessarily Absent 3—Illness 4—Other SYMBOLS: AY—Announced Yea AN—Announced Nay PY—Paired Yea PN—Paired Nay	
Bingaman	Kohl	Bennett	Inhofe	Lieberman		
Boxer	Landrieu	Bond	Jeffords	Torricelli		
Breaux	Lautenberg	Brownback	Kyl	Wellstone		
Bryan	Leahy	Bunning	Lott			
Cleland	Levin	Burns	Lugar			
Conrad	Lincoln	Campbell	Mack			
Daschle	Mikulski	Chafee	McCain			
Dodd	Moynihan	Cochran	McConnell			
Dorgan	Murray	Collins	Murkowski			
Durbin	Reed	Coverdell	Nickles			
Feingold	Reid	Craig	Roberts			
Feinstein	Robb	Crapo	Roth			
Graham	Rockefeller	DeWine	Santorum			
Harkin	Sarbanes	Domenici	Sessions			
Hollings	Schumer	Enzi	Shelby			
Inouye	Wyden	Fitzgerald	Smith, Bob (I)			
Johnson		Frist	Smith, Gordon			
		Gorton	Snowe			
		Gramm	Specter			
		Grams	Stevens			
		Grassley	Thomas			
		Gregg	Thompson			
		Hagel	Thurmond			
		Hatch	Warner			

their intention to spend all of the money that they would deny in tax relief. Specifically, they said that they would spend an extra \$290 billion on Medicare and an extra \$290 billion on other Federal programs, over and above the inflationary increase estimated by the Congressional Budget Office.

Those favoring the amendment contended:

We favor limited, targeted, and temporary tax relief. The CBO, using a baseline budget in which it assumed that entitlement spending would continue on its present rise and discretionary spending would rise by about \$180 billion over 10 years, predicted that there would be about \$1 trillion in non-Social Security surpluses in the next 10 years and \$1.9 trillion in Social Security surpluses. We believe there is general agreement that the Social Security surpluses should be saved for Social Security, though agreement upon the mechanisms by which that feat should be accomplished has yet to be reached. As for the other \$1 trillion, we think one-third should be used for targeted tax cuts, one-third should be spent on Medicare, and the final third should be invested in discretionary programs. This amendment would take care of the tax-cut part of that proposal by providing \$290 billion for tax cuts. That \$290 billion represents a fair third of the available funds, because Members must keep in mind that if the \$1 trillion in non-Social Security surpluses is spent it will not be available to reduce the debt, and, if the debt is not reduced, the interest payments will be higher. If we spend \$870 billion (one-third of which is \$290 billion), we will have higher interest payments over 10 years of \$126 billion. We think that it is a very prudent proposal to suggest giving one-third of the non-Social Security surplus in tax relief and spending the rest. We urge the adoption of this amendment.

Those opposing the amendment contended:

If you went the hardware store and gave a \$10 bill for a \$7 hammer, you would expect the clerk to give you \$3 in change. You would be indignant if the clerk only gave you \$1 and decided to give you, and everyone else in the checkout line, the rest of your \$2 change in nails. Basically, that is what we are being asked to vote for with the Moynihan amendment. The American people are going to pay \$1 trillion in surplus taxes, over and above what they would have to pay if the Federal Government were to keep enacting huge spending increases every year on entitlements and if it were to increase spending on everything else at the rate of inflation. If it held other spending at its present rate, it would have \$1.3 trillion in surplus taxes; however, Democrats are horrified at the thought that spending might be held in check in that manner, so they persist in saying that the baseline must allow for inflationary increases for all Government spending, and they therefore only admit that there is \$1 trillion in surpluses. Now, with the country growing at a steady, above-average rate, almost no inflation, collapsing welfare rolls due to our welfare reform bill, extremely high employment levels, rising incomes, low energy prices, not even a current war being waged by the President to drain the national coffers, and record-high Government spending and taxes, what do our Democrat colleagues want to do with the \$1 trillion in surplus that they admit exists? Why, they want to spend it, of course (the rest of the surplus that they do not admit exists they will also spend, of course, in order to make sure that every little bit of Federal spending at least keeps up with inflation). Like the clerk in the check-out line, they are being handed extra money, and instead of giving all of the change, with this amendment they are saying only one-third can be given back and the Government will spend all of the rest as it sees fit. Our Democratic colleagues have been quite clear in stating their intentions: they want to dump one-third of the \$1 trillion into Medicare and one-third into new social spending. They have not wasted any breath during the debate to describe the particular parts of their amendment; they have only bragged that it will give a lot less tax relief and will leave a lot more money for them to spend, spend, spend. About the only thing that we can think of to say that is positive about this proposal is that it is at least as not as bad as what the President first suggested: spend all the surplus, spend 40 percent of the Social Security surplus, and increase taxes by \$100 billion so even more can be spent.

Most of our Democratic colleagues like to think of themselves as Keynesians. True Keynesians believe that a government should increase spending in recessions in order to spur economic growth and that it should cut back the Government during boom times. Our Democratic colleagues seem unable to remember the second half of that equation whenever times are good. Keynesians also believe that it is dangerous to give tax cuts during good times because giving them could cause the economy to overheat. Again, because this part of the equation fits in with their tax-and-spend mentality, Democrats are very quick to nod sagaciously at the suggestion that giving this tax relief will cause inflation. Really? We have a \$9 trillion economy. In the first year of this bill, a \$4 billion tax cut will be given; in the second year, a \$25 billion cut will be given; in the third year, a "huge" \$39 billion will be given. To save our colleagues the trouble of figuring out the math, that \$39 billion will come to just .004 percent of Gross Domestic Product (GDP). These cuts are being phased in so slowly and giving us such a large lead time to respond if the economy should start to go bad that not even a Keynesian could rationally expect them to have an inflationary effect. How much are we actually proposing cutting taxes? Just 3.4 percent over 10 years, and that cut will be less than 1 percent of GDP. Democrats tell us the sky will fall if we do not let them spend at least two-thirds of it (by their faulty reckoning). We doubt it.

The total surplus will be \$3.3 trillion over 10 years. That is the amount of surplus that will accrue if entitlement spending is

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allowed to grow unchecked but all other spending is held constant, without giving an automatic inflation increase (which would total \$181 billion and, because of the rate at which it would be spent, would also result in \$120 billion less in debt reduction). According to the CBO, if entitlement spending grows at its present rate, all non-entitlement spending is held constant, all interest payments are made, and the tax relief in this bill is enacted, there will still be \$505 billion more that could be spent, used for debt reduction, or given in additional tax relief. In other words, with this bill, we are offering our Democratic colleagues up to half a trillion in new money that they can spend in the next decade, on top of the amount already being spent, but they say that just is not enough. They want a guaranteed inflation increase and then more than a half a trillion in extra money.

Frankly, we do not think all other spending should be given an automatic inflation increase. Our colleagues do not dispute that in the last 2 years 7 percent to 14 percent of the entire Medicare budget has been wasted in erroneous payments, that the Supplemental Security Income Program has discovered \$1.2 billion more in overpayments just last year, that the Department of Agriculture estimates that about 5 percent of the Food Stamp Program is wasted on overpayments, that over the past 16 years the Department of Energy has spent \$10 billion on projects that it has abandoned before their completion, or that the Federal Government is owed \$150 billion in delinquent taxes. In total, we know of \$196 billion in such waste, fraud, and abuse in recent years. That expense, though, is minor compared to the massive inefficiencies of the Federal Government. For instance, in education we already have 39 agencies running 760 different Federal programs at a cost of \$100 billion per year. For homelessness, we have 50 Federal programs and 8 agencies. For food and safety, we have 12 agencies running at least 35 separate programs. On the narrow issue of giving money to study the effectiveness of school violence programs, we have 26 Federal grant programs. Throwing more money into discretionary spending will just result in new layers of programs, putting one layer of inefficiency after another on the uncontrolled mess that already exists.

The largest problems are in Medicare. Earlier this year, a Medicare reform proposal was developed by the Bipartisan Medicare Commission. The President decided he did not like the proposal, so all of his appointees on the Commission obediently voted against it (however, some Democrats on the Commission courageously supported it against the President's wishes). The Finance Committee then went to work on developing an even more comprehensive reform proposal that will fix Medicare's solvency problems, turning it into a modern health care program, and that will also improve benefits. Unfortunately, most Democrats still seem determined to "fix" the problem by throwing money at it. President Clinton proposed propping up Medicare with \$288 billion, making it a semi-welfare program. He estimated that making Medicare lean on the taxpayers would keep it solvent until 2027. Of course, its problems would remain and compound in the interim. In 2027, when baby boomers will have retired and we will have about the maximum number of frail elderly dependent on Medicare, the program will fail. We do not understand the rationale for propping up Medicare just long enough so it can fail at the worst possible moment. We would rather enact reforms. Our Democratic colleagues, though, have gone the President 2 better, by suggesting an extra \$2 billion in taxpayer aid to Medicare. We are more than willing to put money into Medicare as part of a reform effort. The budget resolution we passed already set aside \$90 billion in a reserve fund for that express purpose, and we will happily use any additional sums necessary out of the \$505 billion available for making reforms. Under no circumstance will we just do what our colleagues suggest in this amendment, though, which is to throw more money at Medicare.

The American people are paying larger shares of their income in income taxes than at any other time in history. As a percentage of GDP, the only time taxes have been higher was during World War II. They are paying so much money that over the next 10 years the Federal Government, if it just keeps discretionary spending constant and makes no changes to entitlement spending, will collect \$3.3 trillion more than it needs. Democrats cannot wait to spend that money. They are like a bunch of drunks staring at a bottle of whiskey. That bottle is not theirs. With this amendment, they are grudgingly saying that the people who own the bottle can take a sip, but they are going to take most. Our Democratic colleagues are wrong. The surplus money is the American people's, not the Government's. This amendment should be rejected.